

DEPARTMENT OF WORKFORCE DEVELOPMENT  
DIVISION OF WORKFORCE SOLUTIONS  
ADMINISTRATOR'S MEMO SERIES

NOTICE 02-02

ISSUE DATE: 02/27/2002

DISPOSAL DATE: Ongoing

RE: Notice of Issuance of DWS  
Financial Policy Relating to  
Independence of Auditors

To: Child Support Agency Directors  
County Department of Human Services Directors  
County Department of Social Services Directors  
Tribal Chairpersons  
W-2 Agency Directors  
Welfare to Work Governor's Discretionary Funds Grantees  
Workforce Development Board Executive Directors  
Other DWS Contract and Grant Agencies

From: Ronald F. Hunt /s/  
Deputy Division Administrator

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The purpose of this Administrator's Memo is to issue a new Financial Policy for agencies that contract with DWS. With the creation of DWS last year, we have been reviewing our various policy documents. This format for Financial Policy communications is designed to provide more consistent, understandable fiscal policies for contract agencies.

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On January 25, 2002, the Comptroller General of the United States issued significant changes to the auditor independence requirements under Government Auditing Standards. The new standards are based on two overarching principles:

- Auditors should not perform management functions or make management decisions; and
- Auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Although the requirement for independence in audits is not new, these expanded standards are applicable to audit periods beginning on or after October 1, 2002. Agencies should take immediate action as outlined in the attached Financial Policy including reviewing current contracts and relationships with auditors and financial consultants to identify where there may be the appearance of impropriety.

While the update to the Government Auditing Standards has been in the works for over three years, its release was no doubt hastened by the Enron scandal. Under past practices, the line between 'non-audit or consulting services' and 'audit services' seems to have been blurred. The overall intent is to redefine that line and ensure that auditors are truly independent, third-party reviewers of an agency's financial operations.

If you have any questions, feel free to contact your Area Administrator, Local Program Liaison, or Grant Agreement Administrator.

ATTACHMENT – FINANCIAL POLICY